

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

North Shore Gas Company)	
)	
Petition Pursuant to Rider EEP)	Docket No. 11-
of Schedule of Rates for Gas)	
Service to Initiate a Proceeding to)	
Determine the Accuracy of the)	
Rider EEP Reconciliation Statement)	

DIRECT TESTIMONY
OF
EDWARD M. KORENCHAN

- 1 Q. Please state your name and business address.
- 2 A. Edward M. Korenchan, 130 East Randolph Street, Chicago, Illinois 60601.
- 3 Q. By whom are you employed?
- 4 A. I am employed by Integrys Business Support, LLC ("IBS"), a centralized
- 5 service company for Integrys Energy Group, Inc..
- 6 Q. What position do you hold with IBS?
- 7 A. I am the Supervisor, Rates in the Gas Regulatory Services Department.
- 8 Q. What are your responsibilities in that position?
- 9 A. I am responsible for coordinating and conducting activities related to rate
- 10 and tariff administration as well as rate research, and for supporting the
- 11 development of rate policies for Petitioner, North Shore Gas Company ("North
- 12 Shore" or the "Company"), and The Peoples Gas Light and Coke Company
- 13 ("Peoples Gas"), affiliate companies of IBS.
- 14 Q. Please summarize your educational background and experience.

15 A. I graduated from the University of Illinois at Chicago in 1986 with a
16 Bachelor of Science Degree in Accounting. I began my employment at Peoples
17 Gas in March 1986 in the General Accounting Department. Since then, I have
18 been employed in various positions and levels of responsibility within State
19 Regulatory Affairs, Marketing Research and Gas Regulatory Services. I have
20 been in my present position since May, 2011.

21 Q. Please give a brief description of the operations and status of the
22 Company.

23 A. I am advised by counsel that the Company is a corporation organized and
24 existing under the laws of the State of Illinois, having its principal office at 130
25 East Randolph Street, Chicago, Illinois 60601. It is engaged in the business of
26 purchasing natural gas for and distributing and selling natural gas to
27 approximately 158,000 customers in 54 communities in Cook and Lake Counties,
28 Illinois. I am advised by counsel that the Company is a public utility within the
29 meaning of the Public Utilities Act.

30 Q. Please describe the subject matter of this proceeding.

31 A. North Shore's Schedule of Rates for Gas Service includes Rider EEP,
32 Enhanced Efficiency Program. The Commission approved Rider EEP in Docket
33 Nos. 07-0241 and 07-0242 (Cons.). Rider EEP became effective February 14,
34 2008. Each year, Rider EEP calls for North Shore to file charges (called the
35 "Effective Component") with the Commission. The Effective Component is a
36 monthly per-customer charge based on the Annual Program Budget approved by
37 the Commission in Docket Nos. 07-0241 and 07-0242 (Cons.). Rider EEP is

applicable to Service Classification ("S.C.") Nos. 1 and 2, and there is a separate Effective Component for each service classification. Section C of Rider EEP requires North Shore to file annually, no later than September 30, an EEP statement of activity and a report showing the reconciliation adjustments ("RA") that apply to the nine-month period beginning October 1. The filing based on the third and final Program Period, the twelve-month period beginning July 1, 2010, is due September 30, 2011. Section C of Rider EEP also requires that North Shore, at the time it files its reconciliation statement, file a petition seeking initiation of an annual reconciliation to determine the accuracy of the statement. North Shore witness Mr. Patrick Michalkiewicz is testifying about the EEP statement of activity, which is attached as an exhibit to his testimony.

Q. Please describe the period that will be reconciled.

A. Rider EEP requires a reconciliation of revenues for each Program Period, which is the twelve-month period beginning July 1 except for the first Program Period. Accordingly, the reconciliation period, which is the subject of my testimony, is for the Program Period July 1, 2010, through June 30, 2011.

Q. Is there anything that is out of the ordinary about the third Program Period?

A. Yes. Except for the Reconciliation Adjustment required by Section B(2), requirements of Section C for reports and reconciliations, and requirements of Section F for an annual audit, Rider EEP terminated June 30, 2011, the end of the third Program Year as required by Section D.

Q. Please describe NS Ex. 1.1.

61 A. NS Ex. 1.1 is a statement of the RA components that will apply for each
 62 month of the nine-month period beginning October 1, 2011 and ending June 30,
 63 2012 ("Statement") for S.C. Nos. 1 and 2.

64 Q. Was the Statement prepared under your supervision and direction?

65 A. Yes, it was.

66 Q. What is the purpose of the Statement?

67 A. The Statement shows the applicable RA for customers served under North
 68 Shore's S.C. Nos. 1 and 2. It also shows the derivation of each RA component
 69 and provides supporting data.

70 Q. Please describe the elements of the Statement.

71 A. In general, the Statement includes, for each applicable service
 72 classification, the following information:

- 73 • Page 1 shows the RA that will be billed over the 9-month period beginning
 74 October 1, 2011. The RA represents monthly per-customer charges or
 75 refunds in cents.
- 76 • Page 2 shows the determination of the RA as described under Section
 77 B(2) of Rider EEP. Lines 1 through 9 show the calculation of the Carry
 78 Over Budget amount. The Carry Over Budget is the amount of the Annual
 79 Program Budget from the previous Program Period that shall be carried
 80 into the new Program Period. Because Rider EEP terminated at the end
 81 of the third Program Year, the Carry Over Budget is zero, as shown on
 82 Line 9. Detailed notes are provided in column D for each line.

Lines 10 through 24 represent the calculation of the Total Reconciliation Adjustment dollar amounts, including Carry Over and Interest. This amount is the result of deducting EEP Revenues (EEPR) from EEP Expenses (EEPE), adding the RA_2 to be recovered or refunded, and adding the Carry Over amount and applicable Interest.

Line 26 represents the per-customer per month RA. It is derived by dividing the Total Reconciliation Adjustment dollar amount on Line 24 by the average number of customers (CUST) forecasted for the nine-month period the RA will be in effect (Line 25). An RA must calculate to one cent or more.

- Page 3 shows the aggregation of monthly EEP Expenses (EEPE), Revenues (EEPR) and Reconciliation Adjustment (RA_1) Amounts recoverable or refundable. EEPE represents the actual amount of expenses accrued by the Company during the previous Program Period. EEPR represents the amount of billed revenues arising from application of the Effective Component during the previous Program Period. The Reconciliation Adjustment RA_1 Amounts represents the amounts collected or refunded during the previous Program Period arising from the application of the RA from the Previous Program Period. The totals for EEPE, EEPR, and RA_1 Amounts for each applicable service classification are shown on Line 13.

- Page 4 shows the calculation of the forecasted average number of customers (CUST) for October 2011 through June 2012, the period the

106 RA components will be in effect. The forecasted average number of
107 customers for the nine-month period is shown on Line 11.

108 Q. The Amendatory Order in Docket Nos. 09-0436 and 09-0437 (Cons.)
109 (Reconciliation for Program Year 2) disallowed recovery of a portion of costs for
110 the second Program Year related to wall insulation, and directed North Shore
111 Gas to refund \$3,655 through a Factor O adjustment to the Carry Over Amount
112 and \$42 through a Factor O adjustment to the RA2 balance in the third Program
113 Year reconciliation for S.C. No. 1. (Amendatory Order, Appendix A, Page 1 of 2,
114 Line 11 and Methodology for Implementing Factor O). Does the calculation of
115 the third Program Year Reconciliation Adjustment reflect these refunds?

116 A. Yes. The refunds are included in the calculation of Carry Over Adjustment
117 on Page 2, Column B, Line 12, and the calculation of RA₂ on Page 2, Column B,
118 Line 20 on the Statement.

119 Q. How much was calculated as refundable or recoverable from S.C. No. 1
120 customers over the 9-month period beginning October 1, 2011?

121 A. \$291,819 was calculated as being refundable to S.C. No. 1 customers.

122 Q. What is the RA component that will be effective for S.C. No. 1 beginning
123 October 1, 2011?

124 A. The RA component for S.C. No. 1 customers will be a refund of 22 cents
125 per customer per month.

126 Q. How much was calculated as refundable or recoverable from S.C. No. 2
127 customers over the 9-month period beginning October 1, 2011?

128 A. \$320,067 was calculated as being refundable to S.C. No. 2 customers.

129 Q. What is the RA component that will be effective for S.C. No. 2 beginning
130 October 1, 2011?

131 A. The RA component for S.C. No. 2 customers will be a refund of \$2.66 per
132 customer per month.

133 Q. Please describe how the RA components will be reflected on customers'
134 bills.

135 A. The RA components will be shown on customers' bills as a single line
136 item.

137 Q. Does this conclude your direct testimony?

138 A. Yes, it does.